

4 November 2015

The Manager  
Company Announcements  
Australia Securities Exchange Limited  
Level 4, Bridge Street  
SYDNEY NSW 2000

**Subject: 2015 AGM presentation and FY16 guidance update**

Attached is nib's 2015 Annual General Meeting Presentation.

nib has also updated its FY16 operating profit guidance following better than expected performance in the first quarter of the financial reporting period. nib is forecasting FY16 consolidated statutory operating profit of \$90 million - \$100 million (previously \$85 million - \$90 million) with underlying operating profit of \$102 million - \$114 million (previously \$96.3 million - \$103.3 million). A detailed breakdown of FY16 statutory and underlying operating profit guidance is set out on slide 24 of the AGM presentation.

Yours sincerely



Michelle McPherson  
Company Secretary/Chief Financial Officer

# ANNUAL GENERAL MEETING 2015

4 NOVEMBER 2015



nib

# STEVE CRANE

CHAIRMAN



## nib's Board and Executive

- Independent Non-Executive Director, **STEVE CRANE**
- Independent Non-Executive Director, **LEE AUSBURN**
- Independent Non-Executive Director, **HAROLD BENTLEY**
- Independent Non-Executive Director, **DR ANNETTE CARRUTHERS**
- Independent Non-Executive Director, **PHILIP GARDNER**
- Independent Non-Executive Director, **CHRISTINE McLOUGHLIN**
- Managing Director and Chief Executive Officer, **MARK FITZGIBBON**
- Chief Financial Officer, Deputy CEO and Company Secretary, **MICHELLE McPHERSON**
- Group Executive Australian Residents Health Insurance, **RHOD McKENSEY**
- Chief Executive Officer, nib New Zealand, **ROB HENNIN**
- Chief Information Officer, **BRENDAN MILLS**
- Group Executive Benefits and Provider Relations, **JUSTIN VAUGHAN**
- Group Executive International and New Business, **DAVID KAN**

# ANNUAL GENERAL MEETING 2015

## Agenda

**STEVE CRANE** | CHAIRMAN

**MARK FITZGIBBON** | MANAGING DIRECTOR

**ITEM 1** - CONSIDERATION OF REPORTS

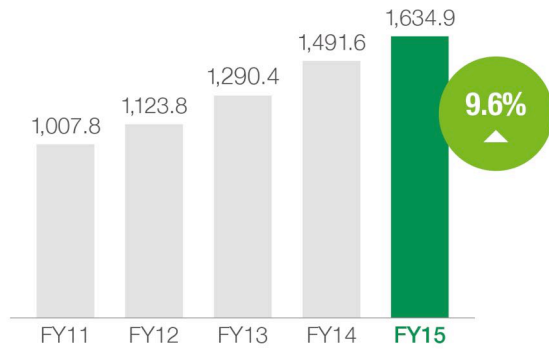
**ITEM 2** - REMUNERATION REPORT

**ITEM 3** - RE-ELECTION OF PHILIP GARDNER

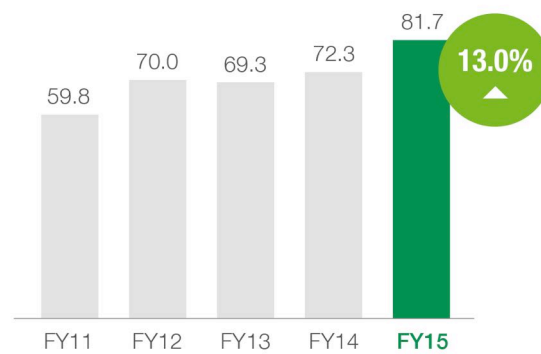
**ITEM 4** - APPROVAL OF PARTICIPATION IN LONG-TERM INCENTIVE PLAN

# Solid FY15 Group Results

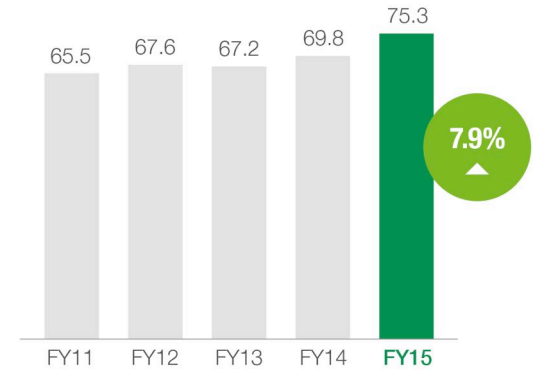
Net Premium Revenue  
\$m



Operating Profit  
\$m



Net Profit After Tax  
\$m



# FY15 Dividend Payment

- FY15 fully franked ordinary dividends of 11.5 cents per share; up on last year's dividend of 11.0 cents per share.
- Represents a payout ratio of 67% of after tax earnings.
- Consistent with dividend policy of paying fully franked dividends of between 60% and 70% of full year NPAT. Remaining profit is reinvested in growing the business for the future.
- Shareholders will have received the final fully franked dividend of 6.0 cents per share on 9 October 2015.



FY15 fully franked ordinary dividends of 11.5 cents per share



Payout ratio of 67% of FY15 NPAT



## FY15 arhi Performance

- Against a backdrop of cautious consumer spending, we continued to grow our customer base across the business.
- Net increase of more than 23,000 policyholders during the last financial year.
- We believe this indicates that despite our now 8% market share we can continue to grow above system for some years yet.

**i1m**

Surpassed 1 million customers covered. Annual net policy growth of 4.7%

**15%**

Almost 15% of industry's total policyholder growth in FY15

**8%**

nib market share



*nib is a major sponsor of the NSW State of Origin team.*



# FY15 Non-arhi Business Performance

- The expansion and success of our adjacent businesses in FY15, and in turn their pre-tax earnings, accounted for 12.1% of our total operating profit.
- The result was actually down on last year's contribution of 21.1%. This was primarily due to an improved contribution from arhi.
- We remain committed to growing our adjacent businesses and their contribution to Group earnings.

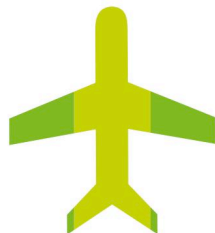
# 12.1%

Non-arhi business accounted for 12.1% of Group operating profit.



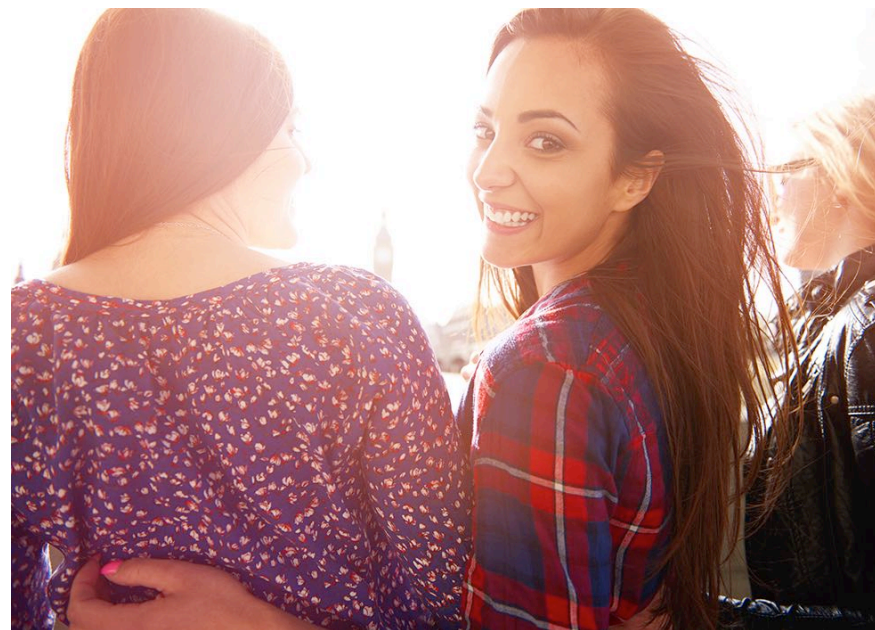
## World Nomads Acquisition

- Acquisition of World Nomads Group was completed on 31 July 2015.
- Third largest distributor of travel insurance in Australia and specialises in the marketing, sale and distribution of travel insurance policies globally.
- Forecast to generate underlying operating profit of at least \$10m in FY16, excluding one-off transaction costs and amortisation of acquisition related identifiable intangibles.



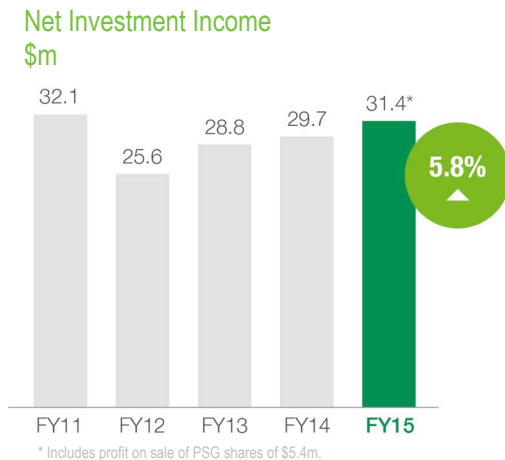
---

World Nomads Group acquisition completed on 31 July 2015.



# FY15 Net Investment Returns

- Investment portfolio again delivered against our internal benchmarks for the year, which resulted in a net investment return of \$31.4 million, or 5.8%.
- When you exclude the benefit from the Pacific Smiles Group sale, investment return would have been \$26.0 million or 4.8%.
- As at 30 June 2015, our investment assets totalled \$600.8 million.



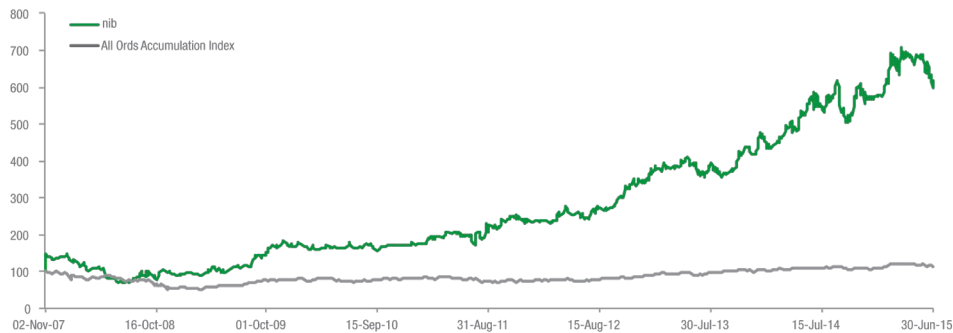
# Governance and Risk Management

- Good governance, a focus upon return on invested capital, and managing the risks implicit in our portfolio of businesses remain priorities for the Board.
- Continue to apply risk-based 'hurdle rates' in the allocation of capital and our risk framework is well developed.
- Return on Equity of 23.1% in FY15 (FY14: 20.8%).



# Total Shareholder Returns

Total shareholder returns since listing to the end of FY15



Source: IRESS (as at 30 June 2015)

Note: Assumes capital returns and dividends are re-invested at the payout date

**519%**  
nib

VS

**15%**  
S&P/ASX200 index



# nib foundation

- Since its inception in 2008, nib foundation has committed \$14.9 million in grant funding to more than 80 charities.
- The focus of this funding has been on health challenges faced by young people and carers.
- With the next round of community partners expected to be announced in coming months, our total funding support will be over the \$15 million mark.



45,000  
participated in  
programs



\$1.7 million paid in  
nib foundation  
grants in FY15



51% Youth  
20% Carers  
29% Community

Projects by focal  
area



# Succession planning for Execs and Non-Executive Directors

- A key priority for the Board.
- Board has great confidence in the Executive Team.
- Remain mindful of 'independence and appropriate skill mix'.
- Will appoint a new Non-Executive Director in FY16.



## Retiring Non-Executive Director – Dr Annette Carruthers

- Appointed to the Board of nib health funds limited in 2003.
- An outstanding contributor over the past 12 years.
- Overseen much change and growth within the business during her tenure.
- Served on and chaired many committees; also a member of the nib New Zealand Board.
- Thank you for your unwavering and dedicated service to the nib Board.





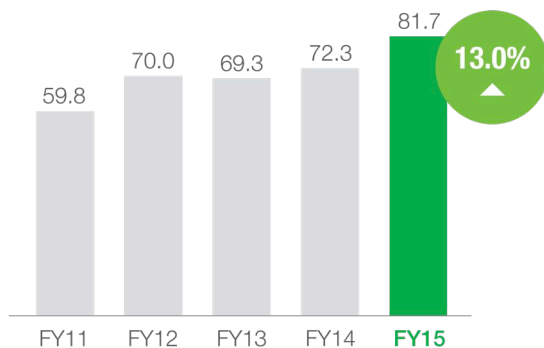
# MARK FITZGIBBON

MANAGING DIRECTOR



# FY15 Group Performance Highlights

Operating Profit  
\$m



Net Profit after Tax  
\$m



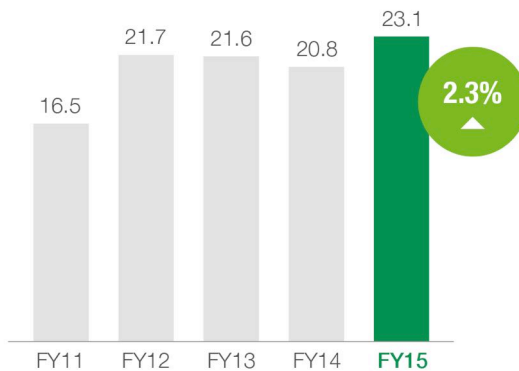
*nib is a major sponsor of the Geelong Cats.*

# FY15 Group Performance Highlights

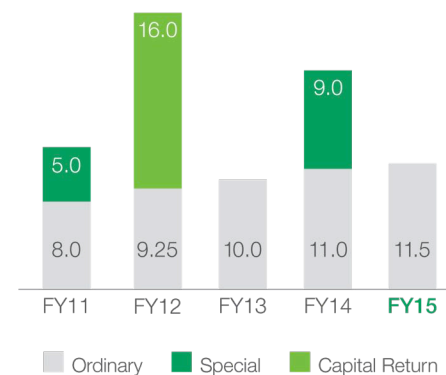
Earnings Per Share  
cps



Return On Equity  
%

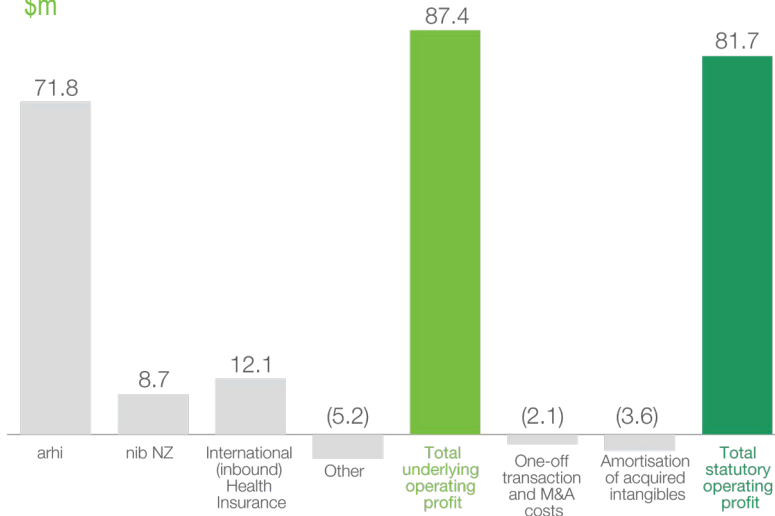


Dividends and Capital Management  
cps



# FY15 Contribution to Group Operating Profit

FY15 Contribution to Group Operating Profit  
\$m



*nib is a major sponsor of the Newcastle Knights.*

# arhi – nib vs Industry Growth

## arhi – nib vs Industry Growth



- nib continues to outperform industry in terms of net policyholder growth.
- nib holds a strong position in the under 40s market\* with 10% market share.
- Tactical pursuit of policyholder growth saw 31% of FY15 sales in over 55s market.
- FY15 net promoter score increased to 22.6% (FY14: 19.2%).
- Underlying operating profit of \$71.8m up 26.0% on FY14.

\* Total hospital persons aged 20-39 years.



# FY15 International and New Business

- nib New Zealand growing after a decade of policyholder decline. Policyholder growth of 5.9%. Underlying operating profit of \$8.7m impaired by legacy Premium Payback product.
- “Complementary” business will continue to make a major contribution to pre-tax operating earnings and further opportunities are very real.
- Acquired World Nomads Group (WNG) on 31 July 2015, a leading travel insurance company. WNG is a great fit; it is a growing market, 60% of claims are medical and we've been selling travel insurance since 1990.
- Incurred further losses in fledgling medical travel business nib Options. We have learnt much from our experience and have made significant changes to operating model.



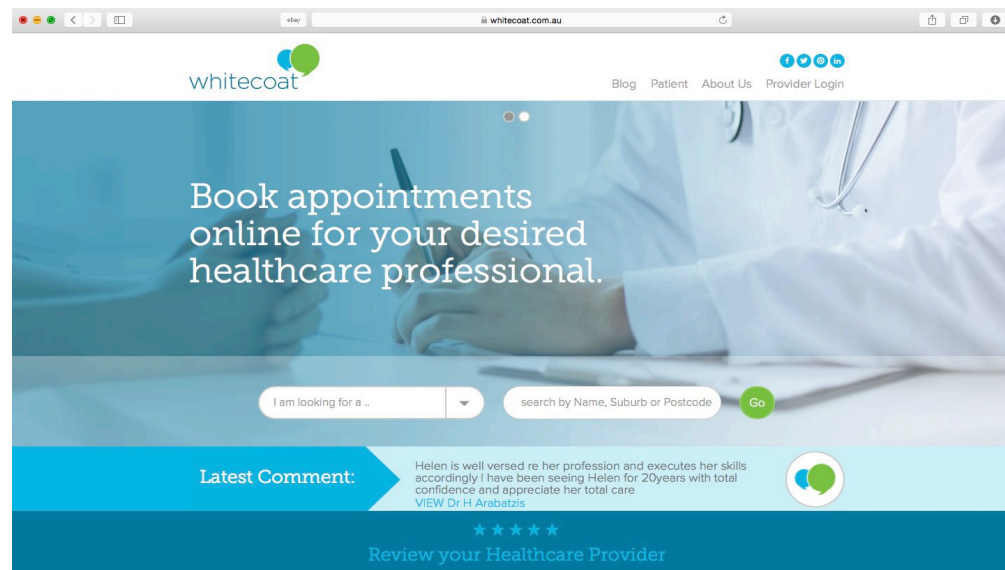
*nib is the naming rights partner of nib Stadium in Perth.*

# Digital in FY15

We made significant investment in our IT and digital strategy, especially recognising the potential of the 'digital era' to disrupt the healthcare market and create opportunities.



- Will help customers make more informed decisions around their general health and manage their health.
- Will help customers with choice of treatment and provider.
- Will allow customers to do patient reviews.
- Will significantly improve the speed, reliability and cost efficiency of the transactions associated with healthcare delivery (e.g. online appointments) and payments.
- Will improve engagement between customers and healthcare providers.
- Business sits within joint venture (Digital Health Ventures).



# FY16 Outlook

- arhi organic growth target of 1.5-2x system within range of 5.0-5.5% net profit margin.
- Impending private health insurance review a significant net positive.
- International (Inbound) Health Insurance to continue to grow but with profitability potentially weaker.
- nib NZ policyholder and profitability growth.
- Continued growth in commissions from complementary insurance lines (life, bill relief, trauma).
- nib Options operating loss similar to FY15 (\$3.8m) with profitability in FY17.
- World Nomads Group (WNG) fully integrated with strong growth. WNG underlying<sup>1</sup> operating profit of at least \$10m.





# FY16 Guidance

- nib has updated FY16 operating profit guidance following better than expected performance in the first quarter of the financial reporting period (set out below).
- FY16 consolidated statutory operating profit of \$90m - \$100m (previously \$85m - \$90m) with underlying operating profit of \$102m - \$114m (previously \$96.3m - \$103.3m).
- FY16 investment income forecast to be lower than FY15 in light of a reduced capital base (as a result of capital management initiatives) and M&A. FY16 investment returns to be in line with relevant internal benchmarks<sup>1</sup>.
- FY16 finance costs to be up on FY15 given additional \$85m debt facility introduced as part of WNG acquisition in July 2015.
- Ordinary dividend payout ratio 60%-70% of full year NPAT.

(\$m)	FY15 (actual)	FY16 (forecast)
<b>Statutory operating profit</b>	<b>81.7</b>	<b>90 – 100</b>
<b>One-off transaction and M&amp;A costs</b>	<b>2.1</b>	<b>4 - 5</b>
<i>One-off transaction and M&amp;A costs (WNG)</i>	<i>0.6</i>	<i>3.5 – 4.5*</i>
<i>One-off transaction and M&amp;A costs (OnePath NZ)</i>	<i>0.7</i>	<i>0.3</i>
<i>One-off transaction and M&amp;A costs (Other)</i>	<i>0.8</i>	<i>–</i>
<b>Amortisation of acquired intangibles</b>	<b>3.6</b>	<b>8 – 9</b>
<i>Amortisation of acquired intangibles (IMAN)</i>	<i>0.3</i>	<i>1</i>
<i>Amortisation of acquired intangibles (nib NZ)</i>	<i>3.3</i>	<i>3</i>
<i>Amortisation of acquired intangibles (WNG)</i>	<i>–</i>	<i>3 – 4</i>
<i>Amortisation of acquired intangibles (OnePath NZ)</i>	<i>–</i>	<i>1</i>
<b>Underlying operating profit</b>	<b>87.4</b>	<b>102 – 114</b>

\* Includes accrual of potential retention bonuses associated with WNG acquisition subject to satisfying service period.

#### 1. Internal Investment benchmarks

- Australian Regulatory capital (75%/25% defensive/growth) - target for portfolio bank bill index plus 1%
- New Zealand regulatory capital (100% defensive) (1) For core portfolio target is a 6 month bank bill index (2) For premium payback portfolio target is a 3.0 years interest rate swap index
- Surplus capital (100% defensive) - bank bill index

